

RURAL DEVELOPMENT FINANCE CORPORATION (RDFC) Board
Policy #009
Participation Loans – Guidelines

The Participation Revolving Loan Funds are to be used to help local development groups, banks, regional councils and other development entities have expanded loan funds to assist their local projects. The participation loans are to help local groups engaged in economic and community development expand their lending capacity.

Any local development group or political subdivision located in North Dakota communities 10,000* or under in population or projects that have a rural or cooperative focus may apply to the Participation Loan Fund for programs that demonstrate the capacity to use the capital productively and consistent with the RDFC mission.

**Communities contiguous to communities with a population greater than 10,000 are ineligible for RDFC financing.*

The objectives of this loan fund:

- To assist communities by expanding their lending capacity.
- To assist with business startups, expansions and strategic improvements.
- To assist with essential community services and facilities, such as fire protection, ambulance services, water and sewer projects, medical services, and other noted essential service enhancements.
- To assist projects that enhance existing and new primary sector and service/retail business.
- To grow rural businesses by using the RDFC loan participation program, hence leveraging local lending capacity and the local ability to fund more projects.

Under this program, RDFC will participate with banks and local/regional lending groups to grow their lending capacity. RDFC will share the same loan term length and collateral interests of the participating lead lender.

In general, the participation loans can be used to assist primary sector, service and retail businesses with their financing needs for start-up and expansion. This includes, but is not limited to:

- structural improvements
- equipment
- expenditures that will enhance the overall image of the business and the commercial district of North Dakota rural communities

Consideration will be given for projects that target job retention/creation, provide additional new products/services and remodeling/storefront renovation.

Term: To match lead lender

Interest rate: 2%

Origination Fee: 1%

Repayment: To match lead lender

Security: Shared with the lead lender.

Loan amount: The maximum loan amount is determined by board discretion and the funds available in the revolving loan fund at the time of application. The loan is not to exceed 50% of the loan amount.

Eligibility: Any local development group or lending agency located in the State of North Dakota within approved communities as determined by RDFC, or projects that have a rural or cooperative focus, may apply to the Participation Loan Fund for programs that demonstrate the capacity to use the capital productively and consistent with the RDFC mission.

Misc.: Other special terms can be considered based on the lead lender's terms as long as there is local loan that matches the special loan terms. Such as; if a regular loan of 15 years will be placed for a new building. However if a 2nd loan of 7 or 10 years is placed for equipment or working capital – the RDFC loan can participate with this 2nd loan.

All payment collections and loan servicing will be done by the lead lender. Applicable service fees can be recovered.

Application package must contain:

- Application form (including an executive summary and repayment plan.)
- Letter of Commitment from a local lead lender to finance the project. Their letter should include their loan terms and willingness to accept a participating lender. (Lead lender can be a local development group, local/regional utility, regional council, local bank, or other legitimate lending entity)
- Current financial statement and annual revenue sources for the applicant.
- An attorney's opinion verifying the applicant has the legal authority to incur debt (if appropriate).

Review process

- The lead lender shall perform all due diligence and upon their willingness to lend funds for the project, the application can then be made to RDFC.
- Applications shall be reviewed by the board of directors with a meeting date to be set once the application is received.
- Notification of whether the loan made been approved will be made within 30 days of receiving a complete application.
- Approved projects will receive a written notification of terms and conditions.

NOTE: Upon loan approval – the loan must be closed within 180 days. After that period of time, the board may reaffirm the offer or the offer may expire.

Return completed applications to:

RDFC - NDAREC
3201 Nygren
Drive NWPO

Box 727
Mandan, ND 58554

Contact: Brenna Ohman (701)663-6501 Email: bohman@ndarec.com

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